

Message Text

PAGE 01 STATE 210679

13

ORIGIN EB-07

INFO OCT-01 ISO-00 AF-08 TRSE-00 AGR-10 AID-05 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 /104 R

DRAFTED BY: TRSY:TBURKE;EB/OF/FPD:JRICHARDSON

APPROVED BY: EB/ORF/OF/JPFERCH

USDA/ERS:MKRIESBERG

EB/IFD:ODF:JWINDER

EA/EPRIMUS

AF/EPS:LWHITE

----- 126476

R 250141Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY ABIDJAN

AMEMBASSY FREETOWN

AMEMBASSY PORT MORESBY

AMEMBASSY LAGOS

AMEMBASSY KINSHASA

AMEMBASSY YAOUNDE

INFO AMEMBASSY MANILA

UNCLAS STATE 210679

MANILA FOR USADB

C O R R E C T E D C O P Y-LINE 10 PARA 2 OMITTED; LAST WORD

LINE 17 PARA THREE

E.O. 11652: N/A

TAGS: EPAP, EAID, ID, MY, IV, CG, CM, SL, NI, PP

UNCLASSIFIED

PAGE 02 STATE 210679

SUBJECT: PALM OIL PROJECTS IN THE IFI'S

1. FOR THE PAST SIX MONTHS, A WORKING GROUP OF THE
NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AFFAIRS

(NAC) HAS BEEN REVIEWING THE ISSUE OF THE EXTENT TO WHICH THE U.S. GOVERNMENT SHOULD CONTINUE TO SUPPORT LOANS FOR PALM OIL PRODUCTION AND PROCESSING BY THE WORLD BANK AND OTHER IFIS. THE BASES FOR THE REVIEW ARE THE CONSIDERABLE CONCERN BEING EXPRESSED BY VARIOUS U.S. FARM GROUPS AND THEIR REPRESENTATIVES IN CONGRESS ABOUT THE SHARP INCREASES IN PALM OIL IMPORTS INTO THE UNITED STATES, AND THE QUESTION OF WHETHER SURPLUS CONDITIONS ARE DEVELOPING IN WORLD MARKETS FOR FATS AND OILS.

2. THE NAC WORKING GROUP DEVELOPED A SERIES OF GUIDELINES FOR U.S. POLICY REGARDING FINANCING BY IFIS OF ANY ADDITIONAL PALM OIL PROJECTS. THESE GUIDELINES WERE DEVELOPED AFTER COMPLETION OF A STUDY BY THE ECONOMIC RESEARCH SERVICE (USDA) ENTITLED "PROSPECTS FOR OILSEEDS AND PRODUCTS, WITH PROJECTIONS TO 1985", COPIES OF THE NAC REPORT ARE BEING POUCHED. THE STUDY CONCLUDES THAT THE PROSPECTS ARE SUFFICIENTLY UNCERTAIN THAT THERE IS A NEED FOR EXERCISING CAUTION WITH REGARD TO INCREASING THE SUPPLY OF PALM OIL IN THE FUTURE. THE CONCLUSIONS OF THIS STUDY ARE STRONGLY DEPENDENT ON THE ASSUMED RATES OF GROWTH IN INCOME LEVEL AND CONSUMPTION OF FATS AND OILS BY LDC'S. THUS FUTURE DEVELOPMENTS WITH RESPECT TO THE LEVEL OF GROWTH COULD BE ONE OF THE FACTORS WHICH MIGHT LEAD TO A REVIEW OF THE GUIDELINES SET FORTH IN PARA 3 SECTION 5 BELOW.

3. SPECIFICALLY, THE GUIDELINES FOR US GOVERNMENT POLICY RECOMMENDED BY THE WORKING GROUP AND ADOPTED BY THE NAC ARE: (1) LOANS FOR PALM OIL PROJECTS INTENDED PRIMARILY TO PRODUCE OIL FOR DOMESTIC CONSUMPTION IN THE BORROWING COUNTRY WILL BE SUPPORTED. (2) LOANS FOR PALM OIL PROJECTS IN COUNTRIES WITH ESTABLISHED PALM OIL INDUSTRIES CAPABLE OF OBTAINING COMMERCIAL FINANCING WILL NOT BE SUPPORTED. (3) OTHER LOANS FOR PALM OIL PROJECTS THAT ARE CURRENTLY BEING PREPARED FOR EXECUTIVE BOARD CONSIDERATION AND INTENDED TO PRODUCE PALM OIL FOR EXPORT WILL BE APPROVED IF UNCLASSIFIED

PAGE 03 STATE 210679

THE PROJECTS ARE COMMERCIALY VIABLE. (4) THE U.S. SHOULD CONVINCE THE IFI MANAGERMENTS TO FIND ALTERNATIVES TO PALM OIL EXPORT PROJECTS WHEN DEVELOPING NEW PROJECTS FOR EXECUTIVE BOARD CONSIDERATION. (5) FINALLY THE NAC SHOULD REVIEW, AS NECESSARY, THESE GUIDELINES FOR U.S. APPROVAL OF IFI FINANCING OF PALM OIL PROJECTS.

NOTE: GUIDELINE 2 REFERS TO MAJOR PALM OIL EXPORTERS. GUIDELINE 3 REFERS TO OTHER COUNTRIES THAT PRODUCE PALM OIL. SEE TABLE III OF NAC REPORT FOR PROJECTS CURRENTLY BEING PREPARED FOR EXECUTIVE BOARD CONSIDERATION.

4. IN VIEW OF USG POSITION ON IFI LENDING FOR PALM OIL

PROJECTS, PLEASE AT YOUR DISCRETION APPROACH APPROPRIATE
GOVERNMENT OFFICIALS TO INFORM THEM OF THE FOREGOING
GUIDELINES WHICH WILL BE THE FRAMEWORK IN WHICH THE US
MAKES A DECISION ON INDIVIDUAL PROJECTS AS THEY COME BEFORE
RESPECTIVE IFI'S. IN DOING SO, YOU MAY WISH TO POINT OUT
THAT TWO RESOLUTIONS HAVE BEEN PASSED IN THE U.S. SENATE
REQUESTING THE WORLD BANK NOT TO FINANCE ANY MORE PALM
OIL PROJECTS AND A RESOLUTION HAS BEEN INTRODUCED INTO THE
HOUSE FOR THE SAME PURPOSE. MOREOVER, DURING THE HOUSE
DEBATE ON THE 1977 APPROPRIATIONS REQUEST FOR THE
IFI'S, AN AMENDMENT WAS NARROWLY DEFEATED, 210 TO 198 WHICH
WOULD HAVE PREVENTED ANY OF THE FUNDS FROM BEING USED FOR
PALM OIL PROJECTS. KISSINGER

UNCLASSIFIED

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 15 SEP 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LOANS, OILS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 25 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE210679
Document Source: ADS
Document Unique ID: 00
Drafter: TRSY:TBURKE:EB/OFD/FPD:JRICARDSON
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D760324-0121
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197608103/baaaepwk.tel
Line Count: 124
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: harterdg
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2004 by ReddocGW>; APPROVED <21 JAN 2005 by harterdg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 970926
Subject: PALM OIL PROJECTS IN THE IFI'S
TAGS: EAID, CG, CM, ID, IV, MY, NI, PP, SL, IBRD
To: JAKARTA
KUALA LUMPUR
MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006